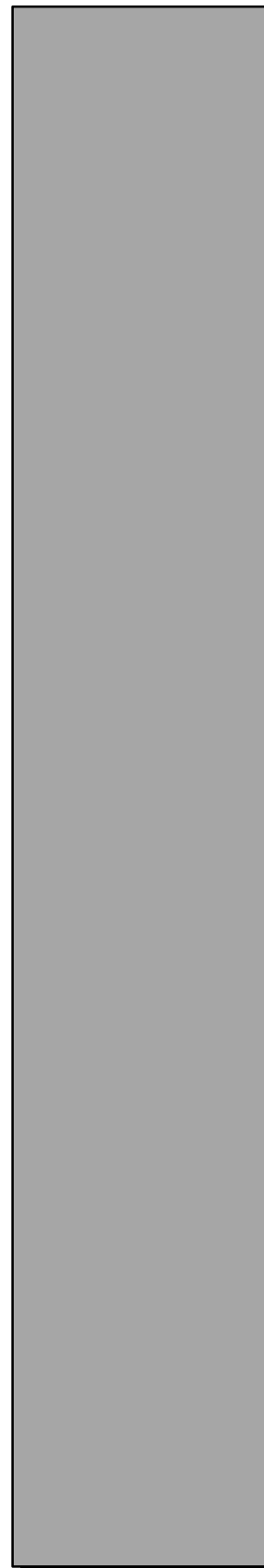


INSERT TAB 100

ADMINISTRATION



CHAPTER: Administration

SECTION: Using the Compliance Handbook

Section 100-1

How to Use the Handbook

The Compliance Activities Handbook is a “how to” manual for OTS personnel involved in the conduct of compliance examinations. It focuses primarily on examination objectives and procedures with some coverage of the supervisory aspects of the regulatory process. The Handbook provides regulatory personnel with uniform standards for planning and conducting examinations. It can be used not only as a guide to national policy and procedure, but as a reference tool, and a training aid.

Through the compliance examination process, regulatory personnel assess how well a savings association manages compliance with a number of consumer protection laws and regulations such as the Truth in Lending Act and the Equal Credit Opportunity Act, and a number of public-interest related laws and regulations such as the Community Reinvestment Act and the Bank Secrecy Act. The results of the examination are reported by the Regional offices to the board of directors of an association. The examination report points out the strengths and weaknesses of an association’s compliance effort and seeks the correction of any cited violations or operational flaws.

A failure to comply, or have an internal process to promote compliance, can create not only monetary problems for an association, but expose it to costly civil or criminal liability, litigation, and a loss of goodwill. A failure to have a satisfactory or better Community Reinvestment Act performance record can create problems for an association seeking to expand its operations through a merger or acquisition.

Use of the Compliance Activities Handbook should be supplemented by the reader’s education, experience and judgment. Updates to the Handbook will be published and distributed periodically. Separate Handbooks are also available covering Thrift Activities, Holding Companies, Trust Activities, Information Technology, and Application Processing.

Handbook Organization: Chapters

The Handbook is organized in five segments with chapters covering: the administrative aspects of the compliance examination process; the fair lending laws and regulations such as the Equal Credit Opportunity Act, and the Fair Housing Act; the consumer protection laws and regulations such as the Electronic Funds Transfer Act and Expedited Funds Availability Act; the compliance laws and regulations such as the Bank Secrecy Act and the Bank Protection Act; and the Community Reinvestment Act and regulations.

100 Administration: This chapter covers the basics of the compliance examination process including examination planning, scoping, conduct and report writing standards.

200 Fair Lending: The fair lending chapter covers the four laws and regulations that directly relate to prohibited discriminatory lending practices. The contents range from the OTS’s nondiscrimination regulations to the Home Mortgage Disclosure Act.

300 Consumer Affairs Laws and Regulations: This chapter covers the traditional consumer affairs laws and regulations such as the Truth in Lending Act, the Electronic Fund Transfer Act, the Real Estate Settlement Procedures Act the Truth in Savings Act and Electronic Banking.

400 Compliance Laws and Regulations: The compliance laws and regulations encompass, among other things, the Bank Secrecy Act, the economic sanctions laws administered by the U.S. Treasury and the Equal Employment Opportunity Act.

500 Community Reinvestment Act: This chapter covers the revised CRA regulations and examination procedures.

Chapter Organization: Sections

Within each chapter, examination materials are subdivided into sections by subject matter. A sec-

tion represents an area of association activity to be reviewed. Each Handbook chapter contains several sections. To allow for easy identification and tracking of materials, each Handbook section has a unique number. For example, within the Fair Lending Chapter 200, the Equal Credit Opportunity Act has been designated as Section 205.

A section supplies the reader with specific information on a particular phase of the examination process or a particular law or regulation. Each Handbook section covering laws or regulations includes introductory background on the law or regulation, examination objectives, examination procedures and references. In some cases, a section might include appendices or exhibits, as applicable.

Introduction: The introduction provides the reader with basic information and pertinent background material on the topic. While specific, the introductory material on the laws and regulations is not meant to be a substitute for the legislation itself. It is designed as a quick reference tool to refresh the reader's familiarity with the law or regulation being discussed. The reader should always consult the applicable law or regulation when researching a question.

Examination Objectives: Each section in chapters 200, 300, 400 and 500 includes examination objectives. They identify the goals toward which the examiner is striving in conducting a review of the subject area. The reader will find that certain objectives are germane to the overall examination process and to virtually every examination section. For instance, two objectives common to the compliance examination process are whether the association has procedures in place designed to assure compliance with a certain law or regulation, and whether those procedures are effective in facilitating compliance.

Examination Procedures: Each section in chapters 200, 300, 400 and 500 includes examination procedures. The procedures are to be used to achieve the examination objectives for each subject area. Although circumstances may dictate some variation, the procedures are arranged in a logical order to lead the examiner to conclusions as efficiently as possible.

References: Each section covering a law or regulation includes a subsection on references. Pertinent legislative and regulatory citations appear in this section as well as references to other relevant issuances.

FFIEC-Approved Procedures

In many instances, the reader will notice that the Federal Financial Institutions Examination Council logo and approval appears at the bottom of the first page of a section addressing a law or regulation. This is to indicate that the entire section, including the examination objectives and procedures, has been approved for use by all the agencies represented on the FFIEC (the Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, OTS and National Credit Union Administration).